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1979 ANNUAL REPORT

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ANNUAL REPORT 1979 — INDEX

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Robinson, Little & Company, Limited

THE PRESIDENT'S REPORT TO THE SHAREHOLDERS

I take pleasure in presenting the 1979 financial statement to you. 1979 was a moderately good year. We achieved a net profit of \$904,080 after tax, an increase of \$374,564. Earnings per share, fully diluted was .67 compared to .39 in 1978. We were also successful in putting together a five year financing program.

We built 79,000 square feet to our existing warehouse — 9,000 in the office and 70,000 in the warehouse. The warehouse was completed in 1979 and the office renovation is in the process of being completed. This warehouse addition enabled us to terminate the renting of 32,000 square feet of outside space to put everything back under one roof. This is an up-to-date airconditioned warehouse, in both office and distribution centre.

The effect of the seemingly continually increasing interest rates and inflation makes it difficult for Mr. and Mrs. Consumer to decide upon the distribution of their disposable income. We share this challenge in the marketplace with other companies in order to maintain and improve our profitability. I am, however, pleased to report that January and February of this year are on budget.

Our expansion in 1979 consisted of expansion in towns where our stores were firmly established. We expanded from 2300 square feet to a new building of 6000 square feet in Biggar, Saskatchewan. We moved to a new building in Tisdale, Saskatchewan and went from 4000 to 7800 square feet. In Westlock, Alberta we expanded from 2800 to 8800 square feet and renovated. In Nanaimo, British Columbia, we expanded from 5000 to 24,000 square feet in the Harewood Plaza.

In the Dealer Division, we sold Rimbey, Alberta to a Dealer and moved the store from a 2300 square foot store to a 6000 square foot one. We painted and renovated the Oxbow, Saskatchewan premises and sold it to a Dealer. We took over Lanigan, Saskatchewan from a Dealer and painted, re-fixture and renovated it and then sold it to another Dealer. We re-fixture and renovated Vermilion, Alberta for an existing Dealer.

All the above indicates the faith that we have in our Company, the faith that we have in Canada and particularly, the faith which we have in Western Canada. We don't expect it to be easy but then, life never is.

Sincerely,

Alan Lifesky
PRESIDENT



DIRECTORS INFORMATION

CLARE C. LECKIE, Chairman of the Board;
President and General Manger,
Robinson, Little & Company, Limited,
Winnipeg, Manitoba.

A. C. WRIGHT, B.A., LL.B.
Partner of the Law Firm of
Wright, Davies,
London, Ontario.

J. KLASSEN,
Vice-President and Director,
Monarch Industries Limited,
Winnipeg, Manitoba.

F. C. ADAMS, President,
Charlton Consultants, London, Ontario.

D. J. REIMER, Vice-President and Treasurer,
Reimer Express Lines Ltd.,
Winnipeg, Manitoba.

J. T. McJANNET, B.A., Q.C.,
Partner in Law Firm of Norton,
Schwartz, McJannet, Weinberg,
Director, Winnipeg Supply &
Fuel Company Limited, Winnipeg, Manitoba.

W. C. WEIR, President,
Walter C. Weir Financial Planning &
Insurance Ltd., Minnedosa, Manitoba.

Robinson, Little & Company, Limited

DIRECTORS



CLARE C. LECKIE



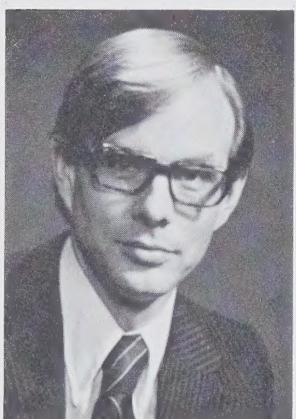
J. KLASSEN



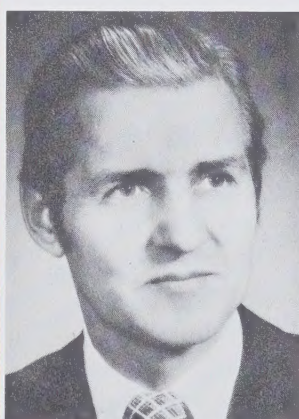
F. C. ADAMS



J. T. McJANNET



A. C. WRIGHT



D. J. REIMER



W. C. WEIR

Robinson Little & Company Limited

	1979	1978	1977	1976	1975
Sales	\$49,830,364	\$46,502,401	43,337,153	\$40,646,552	\$39,130,070
Dividends Paid on Class 'A' Shares	.10	.10	.10	.10	.10
Basic Earnings per Common Share after Class 'A' Dividends	.75	.44	.58	.40	.32
Dividends paid on Common Shares	.12	.12	.12	.12	.12
Fully Diluted Earnings per Share	.67	.39	.51	.36	.28

HEAD OFFICE — 1093 Sherwin Road, Winnipeg, Manitoba. R3H 0T9

TRANSFER AGENT — The Royal Trust Company — Winnipeg, Manitoba. Regina, Saskatchewan.
Toronto, Ontario. Calgary, Alberta.
Montreal, Quebec. Vancouver, B.C.

AUDITORS — Thorne Riddell & Co., Chartered Accountants.

BANKERS — The Canadian Imperial Bank of Commerce.

ANNUAL MEETING — Meeting Tuesday, 29th of April, 1980 at 11:00 A.M.
at the Company's Head Office.

OFFICERS

CLARE C. LECKIE — Chairman of the Board, President and General Manager.
B. B. LECKIE — Vice President.
R. M. ANDERSON — Treasurer.
C. E. OWEN — Secretary.
T. W. MATHEWS — Manager of Retail Division.

AUDITORS' REPORT

To the Shareholders of
Robinson, Little & Company, Limited

We have examined the consolidated balance sheet of Robinson, Little & Company, Limited as at December 31, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Thorne
Riddell
& Co.

CHARTERED ACCOUNTANTS

Winnipeg, Canada
March 18, 1980

**CONSOLIDATED BALANCE SHEET
AS AT DECEMBER 31, 1979**

ASSETS

Current Assets

	<u>1979</u>	<u>1978</u>
Cash	\$ 139,752	\$ 1,375,641
Accounts receivable	1,273,290	2,020,426
Inventories	16,590,554	14,904,612
Prepaid expenses	204,939	213,788
Net investment in leases	21,173	
	<u>18,229,708</u>	<u>18,514,467</u>

Net Investment in Leases (note 2)..... 227,659

Fixed Assets (note 3)..... 1,542,427 310,295

**Deferred Charges, at cost less amounts
amortized**

Management contract	883,248	956,852
Debenture issue costs	186,688	203,660
	<u>1,069,936</u>	<u>1,160,512</u>
	<u>\$21,069,730</u>	<u>\$19,985,274</u>

Approved by the Board

CLARE C. LECKIE, Director

FRED C. ADAMS, Director

LIABILITIES

Current Liabilities

	<u>1979</u>	<u>1978</u>
Accounts payable and accrued liabilities	\$6,278,656	\$7,274,744
Income and other taxes	642,975	94,838
Principal due within one year on long-term debt	517,229	516,667
Deferred income taxes	94,684	106,032
	<u>7,533,544</u>	<u>7,992,281</u>

Long-Term Debt (note 4).....	<u>5,361,527</u>	<u>4,583,333</u>
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Deferred Income Taxes	<u>100,489</u>	<u>89,262</u>
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SHAREHOLDERS' EQUITY

Capital Stock (note 5).....	2,484,832	2,484,832
Retained Earnings	5,589,338	4,835,566
	<u>8,074,170</u>	<u>7,320,398</u>

Commitments (note 7)	<u>\$21,069,730</u>	<u>\$19,985,274</u>
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Contingent Liabilities (note 8)	<u></u>	<u></u>
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CONSOLIDATED STATEMENT OF INCOME
YEAR ENDED DECEMBER 31, 1979

	1979	1978
Net sales	<u>\$49,830,364</u>	<u>\$46,502,401</u>
Operating income for the year, before deducting the undernoted items	\$ 3,246,768	\$ 1,855,961
Depreciation and amortization	81,894	79,396
Contribution to employees' retirement plan	196,175	101,857
Amortization of management contract	73,604	73,604
Amortization of debenture issue costs	16,972	70,892
Interest on long-term debt	750,270	161,999
Interest on current debt	759,543	650,184
	<u>1,878,458</u>	<u>1,137,932</u>
Income before income taxes	<u>1,368,310</u>	<u>718,029</u>
Income Taxes		
Current	464,351	82,989
Deferred (reduction)	(121)	105,524
	<u>464,230</u>	<u>188,513</u>
Net Income	<u>\$ 904,080</u>	<u>\$ 529,516</u>
EARNINGS PER SHARE (note 9)		
Basic	\$.75	\$.44
Fully diluted	<u>\$.67</u>	<u>\$.39</u>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
YEAR ENDED DECEMBER 31, 1979

	1979	1978
Balance at beginning of year	\$4,835,566	\$4,456,302
Net Income	904,080	529,516
	<u>5,739,646</u>	<u>4,985,818</u>
Dividends declared		
Class A	5,763	5,941
Common	144,545	144,311
	<u>150,308</u>	<u>150,252</u>
Balance at End of Year	<u>\$5,589,338</u>	<u>\$4,835,566</u>

Robinson Little & Company Limited

**CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
YEAR ENDED DECEMBER 31, 1979**

WORKING CAPITAL DERIVED FROM

	<u>1979</u>	<u>1978</u>
Operations	\$ 1,070,182	\$ 748,695
Proceeds from disposal of fixed assets	55,919	48,085
Issue of Series "A" Debenture		5,000,000
Proceeds from bank loan	1,319,371	
	<u>2,445,472</u>	<u>5,796,780</u>

WORKING CAPITAL APPLIED TO

Investment in leases	227,659	
Purchase of fixed assets	1,352,351	46,066
Reduction of long-term debt	541,176	1,782,167
Dividends	150,308	150,252
Cost of debenture issue		203,660
	<u>2,271,494</u>	<u>2,182,145</u>

INCREASE IN WORKING CAPITAL.....

	173,978	3,614,635
Working Capital at Beginning of Year	<u>10,522,186</u>	<u>6,907,551</u>

WORKING CAPITAL AT END OF YEAR.....

	<u>\$10,696,164</u>	<u>\$10,522,186</u>
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1979

1. ACCOUNTING POLICIES

(a) Principles of consolidation

The financial statements of the company have been consolidated with those of its wholly-owned subsidiaries, The Brock Company (Western) Limited and Vanlake Capital Inc. Inter-company transactions have been eliminated for consolidation purposes.

(b) Inventories

Inventories are valued at the lower of cost and net realizable value.

(c) Fixed assets

Fixed assets are stated at cost. Depreciation is provided on a basis to amortize the cost of the assets over their estimated useful lives, substantially at the following annual rates

Retail store buildings	10%
Fixtures and equipment	10% - 20%

When fixed assets are disposed of, the cost of the assets and the related accumulated depreciation are removed from the accounts and the resulting gain or loss on disposal is included in income.

Leasehold improvements are amortized on the straight-line basis over the remaining term of the leases, plus one renewal option period.

(d) Deferred charges

The management contract is amortized on the straight-line basis over a period of 20 years ending in 1991.

Debenture issue costs are amortized on the straight-line basis over a period of 12 years ending in 1990.

(e) Leases

(i) Investment in leases

Leases for which the company is the lessor, are accounted for as direct financing leases. Finance income related to these direct financing leases is recognized in a manner that produces a constant rate of return on the investment in leases. The investment in leases for purposes of income recognition is composed of net minimum lease payments and unearned finance income.

Robinson, Little & Company, Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 1979

1. Accounting Policies

(e) Leases (continued)

(ii) Leases for which the company is the lessee, and which were in effect prior to January 1, 1979 are accounted for as operating leases. In accordance with the recommendations of the Canadian Institute of Chartered Accountants, the company should classify its lease obligations as either capital or operating. Leases that substantially transfer all benefits and risks of ownership of property are considered to be capital leases. During 1979, the company did not acquire any capital leases. If the capital leases in effect prior to January 1, 1979 had been accounted for on a retroactive basis, fixed assets, current liabilities, long-term debt and income before income taxes would be increased by the following amounts

	1979	1978
Fixed assets		
Fixtures and equipment, under		
capital lease, at cost	\$3,465,859	\$3,465,859
Accumulated amortization	1,372,785	1,026,195
	<u>\$2,093,074</u>	<u>\$2,439,664</u>
Current liabilities		
Obligation under capital leases	\$ 971,513	\$ 528,994
Long-term debt		
Obligation under capital leases	\$1,475,193	\$1,981,494
Portion included in current liabilities	971,513	528,994
	<u>\$ 503,680</u>	<u>\$1,452,500</u>
Income before income taxes	<u>\$ 159,711</u>	<u>\$ 94,174</u>

2. Net Investment in Leases

The company's net investment in leases includes the following

Total minimum lease payments receivable	
1980	\$ 64,800
1981 to 1986	397,813
	<u>462,613</u>
Unearned finance income	213,781
	<u>248,832</u>
Less portion included in current assets	21,173
	<u>\$227,659</u>

3. Fixed Assets

	1979		1978	
	Cost	Accumulated Depreciation	Net	Net
Land	\$ 7,145		\$ 7,145	\$ 7,145
Buildings	50,487	\$ 34,823	15,664	17,405
Fixtures and equipment	2,514,939	1,032,253	1,482,686	268,741
Automobiles	25,342		25,342	
Leasehold improvements				
less amortization	11,590		11,590	17,004
	<u>\$2,609,503</u>	<u>\$1,067,076</u>	<u>\$1,542,427</u>	<u>\$310,295</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 1979

4. Long-Term Debt

	<u>1979</u>	<u>1978</u>
9% Note payable		\$ 100,000
Floating Rate Series "A" Debenture due December 15, 1990, payable \$34,722 per month plus interest	\$4,583,333	5,000,000
Variable rate demand bank loan, repayable over 7 years in blended monthly instalments of interest and principal, secured by a \$2,500,000 demand debenture	1,295,423	
	<u>5,878,756</u>	<u>5,100,000</u>
Less principal included in current liabilities	<u>517,229</u>	<u>516,667</u>
	<u>\$5,361,527</u>	<u>\$4,583,333</u>

Interest on the Series "A" Debenture is adjusted quarterly to the bank prime lending rate plus an additional 2% to 2½% which is determined annually depending on the inventory turnover of the company. The company has the option of repaying the balance of the principal on December 15, 1983.

Interest on the demand bank loan is adjusted quarterly to the bank prime lending rate plus 1½%.

5. Capital Stock

The company was continued under the Canada Business Corporations Act on November 14, 1979

		<u>1979</u>	<u>1978</u>
Authorized			
58,885	\$.10 Voting cumulative, convertible Class A shares		
	Common shares		
2,000,000	\$.006 Voting, non-cumulative, convertible deferred shares		
Issued			
55,850	Class A shares (58,885 shares in 1978)	\$2,284,832	\$2,284,832
1,206,150	Common shares (1,203,115 shares in 1978)		
2,000,000	Deferred shares	<u>200,000</u>	<u>200,000</u>
		<u>\$2,484,832</u>	<u>\$2,484,832</u>

6. Bank Credit

The company has an operating line of credit with the bank which is secured by a general assignment of receivables and by an \$8,000,000 debenture giving the bank a first floating charge on the assets of the company.

Robinson Little & Company Limited

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 1979

7. Commitments

Rentals for the year ended December 31, 1979 under leases for fixtures and equipment, store and warehouse facilities were as follows

	<u>Total rental expense</u>	<u>Dealers' obligation</u>	<u>Net rental expense</u>
Fixtures and equipment, store and warehouse facilities	\$3,504,237	\$ 253,751	\$3,250,486

The minimum annual rental commitments under executed leases for fixtures and equipment, store and warehouse facilities (exclusive of occupancy charges and additional rental payable based on a percentage of gross sales) and the annual rental to be paid by dealers for store locations are as follows

	<u>Total rental obligation</u>	<u>Dealers' obligation</u>	<u>Net minimum rental</u>
1980	\$3,542,248	\$ 299,710	\$3,242,538
1981	2,508,833	185,387	2,323,446
1982	1,983,567	165,465	1,818,102
1983	1,725,271	122,844	1,602,427
1984	1,409,354	90,082	1,319,272
To expiration	7,046,694	173,398	6,873,296

These agreements have options to renew for further periods from one to fifteen years.

During the year the company entered into a contract for renovation of its warehouse and office areas in the amount of \$248,240. No expenditures have been made to December 31, 1979.

8. Contingent Liabilities

The company is contingently liable for guarantees of franchise dealers' bank loans in the amount of \$814,290.

9. Earnings per Share

- The calculation of basic earnings per share has been made using the weighted monthly average number of common shares outstanding in each year.
- The calculation of fully diluted earnings per share has been calculated assuming full conversion of the Class A and deferred shares at the beginning of each year.

10. Statutory Information

	<u>1979</u>	<u>1978</u>
Number of directors	7	7
Directors' remuneration as directors	\$ 9,400	\$ 7,250
Number of officers	5	4
Officers' remuneration as officers	\$ 187,471	\$ 196,943
Number of officers who are also directors	1	1

